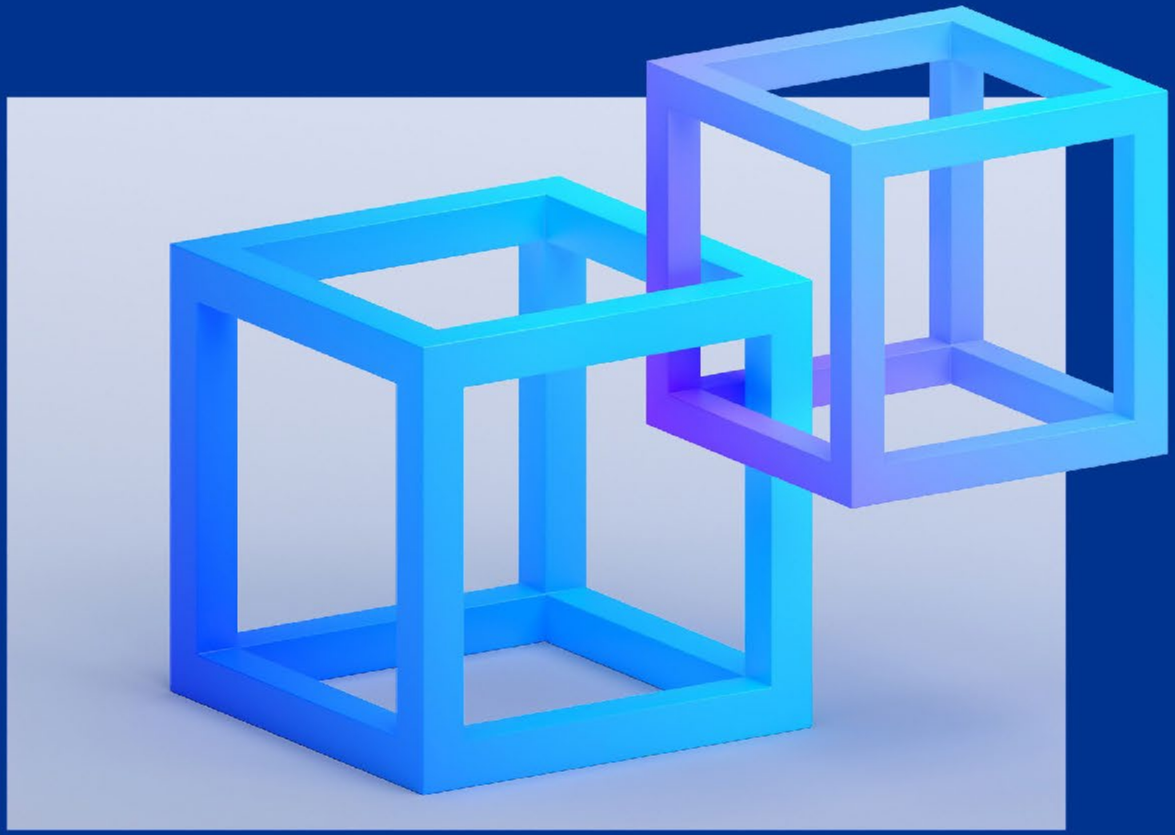
Haringey Pension Fund



Draft report to the Audit Committee of London Borough of Haringey Council

Year end report for the year ended 31 March 2024

—

27 January 2025

Introduction

To the Audit Committee of London Borough of Haringey

We are pleased to have the opportunity to meet with you on 27 January 2025 to discuss the draft results of our audit of the financial statements of Haringey Pension Fund, as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions.

This report should be read in conjunction with our audit plan and strategy report, presented on 25 July 2024 in Pension Committee and Board meeting.

We will be pleased to further elaborate on the matters covered in this report when we meet.

Contents	Page

Status of our Audit

Subject to the Administering Authority's approval, we expect to be in a position to sign our audit opinion on the financial statements once the audit of the council is complete, provided that the outstanding matters noted on 4 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy. We expect to issue a modified Auditor's Report due to disclaimer of opinion by the predecessor auditor on the prior year accounts. As of now, we are consulting internally with our technical teams to determine the sufficiency and appropriateness of audit evidences obtained on the opening balances.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Restrictions on distribution of this report

Yours sincerely,

Tim Cutler

Partner

KPMG LLP

27 January 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions. We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

Circulation of this report is restricted.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of Haringey Pension Fund (the 'Fund'), prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Administering Authority's Audit Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you by written communication on 25 July 2024 in the Pension Committee and Board meeting.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Fund's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 4, 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

Restrictions on distribution

The report is provided on the basis that it is only for the information of the Audit Committee the Administering Authority and Pensions Committee and Board of the Pension Fund; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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Our audit findings

Significant audit risks	Page 6-7
Significant audit risks	**Our findings**
Management override of controls	Our testing is on-going currently due to delay in obtaining evidences for the testing of journals. To date we have not found any reportable misstatements or indicators of fraud in our testing. We have found a control deficiency in the journals process which is documented on page refer 24
Key accounting estimates	**Page 10-12**
Valuation of level 1 & 2 pooled investment vehicles and segregated investments	We do not note any deviations in valuation that were outside our acceptable range. We found the valuation of these investments appropriate.
Valuation of level 3 pooled investment vehicles	We found valuation of these investment based on unaudited NAV as appropriate.

Number of Control deficiencies	Page 28
Severity	**Priority**
Other control deficiencies	2

Expenditure recognition

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Expenditure in a pension scheme equates to payments to members and management expenses. There are no subjective issues concerning when expenses need to be recognised. Amounts involved cannot easily be manipulated through accounting policies, timing or other policies. There is little incentive for the Fund to manipulate the financial reporting of expenses. Therefore, in the absence of specific fraud risk factors, there is no risk of fraudulent financial reporting arising from the manipulation of expenditure recognition for the Fund.

Outstanding matters

Our audit is substantially complete except for the following outstanding matters:

- Journals testing
- Opening balances testing
- Material post close journals testing;
- Queries arising subject to RI review;
- Any relevant issues arising from the audit of the Administering authority;
- Management representation letter;
- Signed financial statements; and
- Finalise audit report and sign.

Significant risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the Haringey Pension Fund, the industry and the wider economic environment in which the Pension Fund operates.

We also use our regular meetings with senior management to update our understanding and take input from component audit teams and internal audit reports.

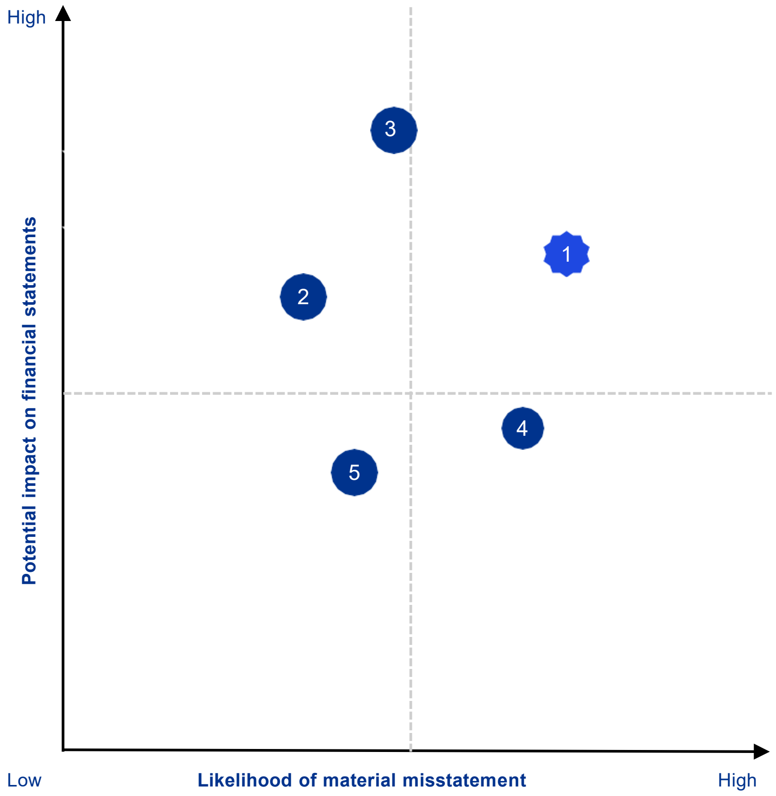
In the Audit Plan we stated, that due to the levels of economic uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. We further stated that we would amend our audit approach accordingly and communicate this to the Audit Committee and Pension Committee and Board. We note we have not identified any such matters.

Significant risks

1. Management override of controls

Other audit risks

2. Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded
3. Valuation of Level 1, 2 and Level 3 investments is misstated
4. Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule
5. The actuarial position of the scheme is not appropriately presented in the financial statements



KEY

1 Presumed significant risk

2 Other audit risks

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Audit risks and our audit approach

1 Management override of controls[a]

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- As part of our planning risk assessment procedures we identified that the Pension Fund does not have enforced segregation of duty controls over the posting of journals, we will therefore not seek to take a controls-based approach when designing procedures to provide assurance over this risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Planned response

- As part of our audit business or we gained an understanding of the financial reporting process.
- Our audit methodology incorporates the risk of management override of controls as a default significant risk.
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post-closing adjustments.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the normal course of business or are otherwise unusual.
- Evaluated the selection and application of accounting policies.
- Analysed all journals through the year using data and analytics and focus our testing on those with a higher risk.
- With regards to the financial reporting and journals process, we performed the following over journal entries and other adjustments:
    - Evaluated the completeness of the population of journal entries.
    - We determined high risk criteria and selected journals based on this criteria for testing.

Audit risks and our audit approach (cont.)

1 Management override of controls[(a)]

Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- As part of our planning risk assessment procedures we identified that the Pension Fund does not have enforced segregation of duty controls over the posting of journals, we will therefore not seek to take a controls-based approach when designing procedures to provide assurance over this risk.

Note: (a) Significant risk that professional standards require us to assess in all cases.

Our findings

- Our testing is ongoing. We have completed our screening of journals and testing of journals is on going for which further evidences have been requested from management.
- We have noted a control deficiency with respect to segregation of duties for journals. Please refer page 24 for further details.
- To date we have not identified any indicators of management override of controls. We will provide a verbal update in the meeting.

Audit risks and our audit approach (cont.)

2 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded

Other audit risk

- Level 1, 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Haringey Pension Fund. They are held with a number of investment managers across multiple asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers, due to rebalancing of the portfolio based on the Pension Committee's decision to align the portfolio with the Investment Strategy Statement.

Planned response

- As part of our audit procedures we gained an understanding of the processes over the completeness, existence and accuracy of Level 1, 2 and 3 investments. This includes gaining an understanding of the control environment at all the investment managers and Northern Trust (custodian) by reviewing their internal controls reports to identify any control deficiencies that would impact our audit approach (where available).
- We obtained direct confirmations from your custodian and all your investment managers to vouch the holdings and valuation of assets at the year end.
- We vouched purchases and sales to investment manager and/or custodian reports.
- We recalculated change in market value and compare this to the overall investment return stated in the Pension Committeeand Board's report for consistency with the amounts reported in the financial statements. We will investigate any material deviations.

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Audit risks and our audit approach (cont.)

2 Level 1, 2 and 3 investments are not complete, do not exist or are not accurately recorded

Other audit risk

- Level 1, 2 and Level 3 investments are not complete, do not exist or are not accurately recorded.
- Investments are held to pay benefits of the Haringey Pension Fund. They are held with a number of investment managers across multiple asset classes. The investments are material to the financial statements (99.9% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to completeness, existence and accuracy as there has been a number of investment transitions in the year between investment managers, due to rebalancing of the portfolio based on the Pension Committee and Board's decision to align the portfolio with the Investment Strategy Statement.

Our findings

- Where available, we obtained the internal controls report of investment managers and Northern Trust and reviewed these reports to identify any control deficiencies that would impact our audit approach. No issues were identified that impact our planned audit response.
- We obtained direct confirmation from the investment managers and the custodian to vouch the holdings and valuation of assets at year-end. We noted a misstatement in the opening and closing balance of investments taken by management and balances confirmed by the fund manager. The misstatement noted is below our materiality threshold and management are currently investigating if these needs to be corrected. Please refer page 23 for uncorrected misstatement.
- We vouched the purchases and sales during the year to investment manager and custodian reports, and do not note any issues.
- We recalculated the change in market value and compared the overall investment return as stated in Pension's Committee and Board's report. No issues were noted.

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Audit risks and our audit approach (cont.)

3 Valuation of Level 1, 2 and other Level 3 investments is misstated

Other audit risk

- The fair value of level 1, 2 and 3 investments is not measured appropriately.
- Investments are held to pay benefits of the Haringey Pension Fund. They are held with a number of investment managers across multiple asset classes. The investments are material to the financial statements (100.2% of the Statement of Net Assets) and therefore there is a risk of material misstatement.
- There is a risk of material misstatement relating to fair values of level 1 and 2 segregated and pooled investments which amounted to £1.556bn as at 31 March 2024 (PY: £1.405bn), due to the estimation uncertainty resulting from the pricing of these investments.
- There is a risk of material misstatement relating to fair values of level 3 pooled investments which amounted to £317.57mn as at 31 March 2024 (PY: £304.80mn), due to the estimation uncertainty resulting from unobservable inputs to these investments.

Planned response

Our approach in relation to valuation for different types of investmentsis as follows:

- **Segregated financial instruments** Our in-house investment valuation team, iRADAR, was engaged to independently revalue segregated securities and over the counter (OTC) derivative prices and identify stale price issues of directly held financial instruments within the investment portfolio as well as any exposures to hard to value assets.
- **Level 1 & 2 Pooled Investment Vehicles:** We recalculated the value of the Level 1 and 2 pooled investments by using our internal valuation specialist.
- **Level 3 pooled investment vehicles:** For each Level 3 pooled investment vehicle investment manager, as part of our audit procedures we assess the work of the investment manager for use as audit evidence;
- We obtained the unaudited Net Asset Value ('NAV') Statement at (or closest to) the measurement date and vouch the valuation to this.
- We further assessed the reliability of the NAV statements produced by fund managers on a sample basis by :
  - Obtaining and inspecting the latest audited financial statements for the underlying funds where available;
  - Inspecting the audit report to confirm that it is unqualified and that the audit has been carried out by a reputable audit firm; and
  - Comparing the unaudited pricing information at the year end to the audited financial statements valuation. Where the audited financial statements are not as at the Fund year end date, we will agree them to unaudited pricing information at that date and reconcile significant movements to the Fund year end date agreeing movements to transaction statements.

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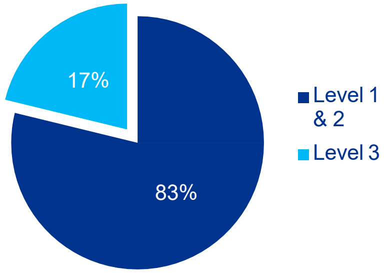
Audit risks and our audit approach (cont.)

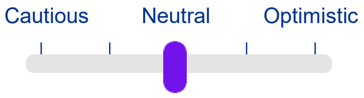
Level 1 & 2 Investments



Type of security	Market value 2024 (£m)	Percentage of portfolio 2024%	Market value 2023 (£m)	Percentage of portfolio 2023%
Pooled Investment Vehicles	1,556.17	83.1%	1,405.02	82.2%
Total	1,556.17	83.1%	1,405.02	82.2%

Our findings

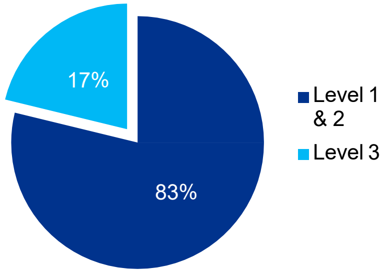
Type of security	Our findings
Pooled investment vehicles	Our in-house investment valuation team, iRadar, has tested the fair values of segregated financial instruments, and level 1 & 2 pooled investment vehicles, and do not note any deviation outside our acceptable range. We found the valuation of these investments appropriate. We have not noted any changes in method and underlying assumptions used to prepare accounting estimates related to valuation of level 1 and level 2 investments. We have not noted any possible bias relating to judgements and decisions in making accounting estimates related to valuation of level 1 and level 2 investments.



Key:
Current year

Audit risks and our audit approach (cont.)

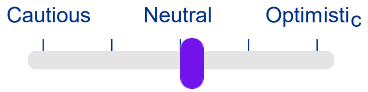
Level 3 Investments



Type of security	Market value 2024 (£m)	Percentage of portfolio 2024%	Market value 2023 (£m)	Percentage of portfolio 2023%
Pooled Investment Vehicles	317.57	16.9%	304.80	17.8%
Total	317.57	16.9%	304.80	17.8%

Our findings

Type of security	Our findings
Pooled investment vehicles	• For level 3 pooled investment vehicles, we have vouched the valuations considered by management to the unaudited NAV statement. We found valuation of these investment based on unaudited NAV as appropriate. • We further assessed the reliability of the unaudited NAV statements provided by the investment manager by obtaining latest audited financial statements of fund and comparing with the unaudited NAV statement that aligns with the latest audited financial statements of fund. No issues were noted. • We have not noted any changes in method and underlying assumptions used to prepare accounting estimates related to valuation of level 3 investments. • We have not noted any possible bias relating to judgements and decisions in making accounting estimates related to valuation of level 3 investments.



Key:
Current year

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Audit risks and our audit approach (cont.)

4 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule

Other audit risk

- Contributions into the Pension Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Rates and Adjustments Schedule.
- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Revenue in a pension fund equates to contributions income. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Pension Fund's management to manipulate the financial reporting of contributions. Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.

Planned response

As part of our audit procedures, we gained an understanding of the processes over the contribution payment arrangements between the admitted and scheduled bodies and administering authority, and also the effectiveness of the Pension Fund's contribution monitoring arrangements.

As part of risk assessment procedures, we carried out re-performance checks for a selection of members on normal employee and employer contributions by reference to their pensionable salary and rates.

Our audit procedures over contributions included:

- Inspecting that deficit funding contributions are received into the Pension Fund in accordance with the rates and adjustments schedule;
- For a risk-based sample of admitted bodies we inspected whether contributions are received into the Pension Fund on a timely basis under the requirements through vouching contributions received to bank statements;
- Developed an expectation of the normal employer and employee contributions receivable in the year reflecting changes in active members in the year, increases in pensionable salary and any changes in the contributions rates in the year and compare these to actual employer and employee contributions received in the year; and
- Vouch that there are 12 months receipt in the year and assessing the trend of such receipts.

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Audit risks and our audit approach (cont.)

4 Contributions into the Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Fund's Rates and Adjustments Schedule

Other audit risk

- Contributions into the Pension Fund are not completely identified and recorded, do not exist or are not in compliance with the Regulations and the Rates and Adjustments Schedule.
- Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Revenue in a pension fund equates to contributions income. This revenue is recognized based on specific instructions as set out in the appropriate schedule(s). There are no subjective issues concerning when contributions need to be recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Pension Fund's management to manipulate the financial reporting of contributions. Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.

Our findings

- We assessed the trend of contributions over 12 months and do not note unusual movements on monthly basis.
- We vouched the deficit funding deficit funding contributions and found that these are received into the Pension Fund in accordance with the rates and adjustmentsschedule.
- For a sample of contributions received from admitted bodies we vouched if these received on a timely basis and do not note any issues.
- For a sample of employers, we vouched the contributions to ensure that there are 12 months receipt in the year.
- We developed an expectation of the normal employer and employee contributions receivable in the year reflecting changes in active members in the year, increases in pensionable salary and any changes in the contributions rates in the year and compared these to actual employer and employee contributions received in the year. We noted that the difference between our expectation and actual contributions is below our acceptable threshold and therefore are satisfied this provides appropriate audit evidence.

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Audit risks and our audit approach (cont.)

5 The actuarial position of the scheme is not appropriately presented in the financial statements

Other audit risk

- The actuarial position of the scheme is not appropriately presented in the financial statements.
- The actuarial position is not recognised on the Statement of Net Assets but is disclosed in the Notes.
- The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate applied to the Fund's liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.

Planned response

We performed the following procedures:

- Understand the processes in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuary to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the Fund's actuary to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Test the data provided used within the calculation of the Fund valuation; and
- Evaluate, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data.

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Audit risks and our audit approach (cont.)

5 The actuarial position of the Funds is not appropriately presented in the financial statements

Other audit risk

- The actuarial position of the scheme is not appropriately presented in the financial statements.
- The actuarial position is not recognised on the Statement of Net Assets but is disclosed in the Notes.
- The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate applied to the Fund's liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.

Our findings

- We evaluated the competency, objectivity of the actuary to confirm their qualifications and the basis for their calculations and found these to be appropriate.
- We performed inquiries of the Fund's actuary to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets.
- We tested the data provided used within the calculation of the Fund valuation and noted no issues. Please see earlier pages for results after testing contributions and benefit payments.
- We evaluated, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. We note that overall as well as individual assumptions used for valuation are balanced and within our reasonable range. The methodology for valuation as well as setting individual assumptions is noted to be compliant with IAS 26.

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Other matters

Annual report

The Pension Fund annual report will be issued later than the financial statements. We will consider whether there is a material inconsistency between this information included in the annual report and the financial statements, or with our knowledge obtained in the audit; or whether this information appears to be materially misstated.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

We have not completed any non-auditwork at the Fund during the year.

Audit Fees

Our PSAA prescribed 2023/24 audit scale fee for the audit was **£76,891** plus VAT (N/A in 2022/23).

The scale fees agreed with the PSAA did not take into account the impact of ISA315 (Revised). We have agreed a fee variation of **£6,420** plus VAT with you in respect of ISA351R. We are awaiting PSAA approval before invoicing this amount.

Quality and timeliness of information prepared by management/those charged with governance

In our view, the quality of information:

- Supported our ability to understand key decisions better and obtain sufficient audit evidence
- Enabled informed challenge of management decisions
- Supported audit quality and better disclosure.
- Some delays were noted in obtaining sufficient and appropriate audit evidences due to change in officers providing the information.

There was no impact on our audit opinion of the above issues.

Appendices

Contents

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Required communications

Type	Response
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024.
Adjusted audit differences	There were nil adjusted audit differences.
Unadjusted audit differences	The unadjusted audit differences are reported on page 22
Related parties	We have noted deficiency in the internal controls regarding identification of the related parties. See page 24
Other matters warranting attention by the Audit Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We communicated to management all deficiencies in internal control over financial reporting during the audit and these are included in this report as well – please see page 28.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	No actual or suspected fraud involving Fund management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Make a referral to the regulator	We have not identified any such matters.
Issue a report in the public interest	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Response
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	We are in the process of internal consultation to determine the modification in our report due to disclaimer of opinion in prior 3 years.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	Till date, no material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. Please note the review is still on-going.The Strategic report is fair, balanced and comprehensive, and complies with the law. Please note the review is still on-going.
Breaches of independence	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	No such matters have arisen during audit. Please note the audit is still on-going.
Certify the audit as complete	We will only be able to certify the audit as closed once we have completed our work.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit Committee members of the London Borough of Haringey

Assessment of our objectivity and independence as auditor of Haringey Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

No non-audit services have been provided to the Fund during the year ended 31 March 2024 and we have not committed to providing any such services.

We have considered the fees charged by us to the Pension Fund and its affiliates for professional services provided by us during the reporting period.

Confirmation of Independence

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	77
Other Assurance Services	0
ISA 315R	6
Audit delays	TBC
Total Fees	**TBC**

Application of the FRC Ethical Standard 2019

The predecessor auditors have communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee of the Council, Pension Board and Pension Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council, Pensions Board and Pensions Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG LLP

DRAFT

Uncorrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee and Pension Committee and Board with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Audit Committee and Pension Committee and Board meeting, details of all adjustments greater than £855K are shown below:

Uncorrected audit differences (£'000s)				
No.	**Detail**	**Fund Account Dr/(Cr)**	**Net Asset Statement Dr/(Cr)**	**Comments**
1	Dr Investments Cr Change in Market Value	£1,060,00	£1,060,00	This misstatement is because the values taken by management was from the custodian which were based on latest available valuations as at 31 March i.e. valuation as at 30 Sept. Whereas KPMG obtained valuations from fund manager as at 31 March 2024.
2	Dr Investments (PY) Cr Change in Market Value (PY)	£3,173,000	£3,173,000	This misstatement is because the values taken by management was from the custodian which were based on latest available valuations as at 31 March i.e. valuation as at 30 Sept. Whereas KPMG obtained valuations from fund manager as at 31 March 2023.
Total		£4,233,000	£4,233,000	

Corrected audit misstatements

Under UK auditing standards (ISA (UK) 260) we are required to provide the Audit Committee and Pension Committee and Board with a summary of corrected audit differences (including disclosures) identified during the course of our audit. We have noted below as corrected audit misstatement.

Control Deficiencies

The recommendations raised as a result of our work in the current year are as follows:

Priority rating for recommendations					
❶	**Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷	**Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.	❸	**Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	❷	Disclosure of interest made by the Pension Committee members is inadequate. We identified that the Disclosure of interest filed by the Pension Committee members is not as per the requirements of the applicable financial reporting framework. Instead, it is as per the pensions regulations therefore, it fails to identify all the related parties of the Pension Fund.	Management acknowledges and agrees with the findings. While the current disclosure of interest policy complies with pension regulations, we concur that adopting a more prudent approach to align these disclosures with the financial reporting framework is prudent. The Head of Pensions will be responsible for updating the disclosure policies by September 2025.
2	❷	Journals below £40,000 are not required to be approved by another person. There is park and post control in place at Haringey Pension Fund which is for segregation of duties. The control requires that journals are made and approved by different individuals. However, during our testing of the journals process we observed that this control is not required for journals below £40,000. This poses a risk of misstatement in the financial statements whether due to error or fraud as the journals below £40,000 can be posted unapproved. We recommend management make the park and post control applicable for all journals and not just those above £40,000 as well.	TBC
3	❸	Inappropriate review of investments We identified a misstatement in the opening and closing balances of investments as noted earlier on page 22. This is because the values taken by management was from the custodian which were based on latest available valuations as at 31 March i.e. valuation as at 30 Sept. Whereas KPMG obtained valuations from fund manager as at 31 March 2024.We note that the process for quarterly reconciliation of investments from fund manager and custodian was not effective.	TBC

Opening Balances Procedures

As at the date of this report, we are yet to conclude on the sufficiency and appropriateness of audit evidences on the opening balances due to the disclaimer of an audit opinion on the prior years' financial statements by the predecessor auditor. Further, we are not able to review the file of the predecessor auditor at the time of drafting the document. We will update verbally in the meeting any further updates.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

- ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.
- We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on page 6 and 7. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements* , to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

Based on our assessment, we have no matters to report to Those Charged with Governance.

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every engagement lead and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Commitment to continuous improvement

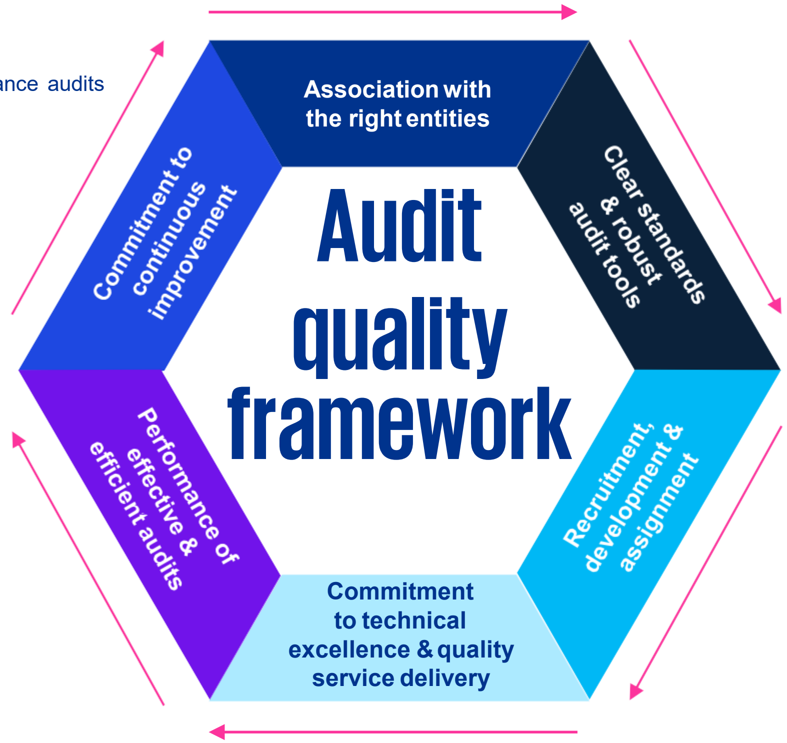
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



Association with the right entities

- Select clients within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members employed KPMG specialists and specific team members

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